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10 UNITED STATES BANKRUPTCY COURT  
11 EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION  
12

13 In re:

14 Temblor Petroleum  
15 Company, LLC,

16 Debtor.  
17  
18  
19

Case No. 20-11367-A-7

Chapter 7

DCN: PRG-1

Declaration of Terence B. Eschner in  
Support of Trio's Opposition to Motion  
of Genautica Oil Holdings, LP to  
Vacate Sale Order, as Amended

Date: April 6, 2023

Time: 10:00 a.m.

Place: US Courthouse

510 19th Street

Bakersfield, CA

Judge: Hon. Jennifer E. Niemann

24 I, Terence B. Eschner, declare:

25 1. I am a registered professional geologist and through Sarlan Resources, Inc. commonly  
26 work as a consultant to Trio Petroleum LLC ("Trio"). Trio is the operator of various oil and gas  
27 properties including a property known as the Hangman Hollow Area of the McCool Ranch Oil  
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1 Field ("Hangman Hollow") that is located in Monterey County, California. As a consultant to  
2 Trio on Hangman Hollow I have worked extensively on matters including but not limited to  
3 interpreting technical data (i.e., geological, geophysical, petrophysical and engineering data),  
4 obtaining and updating permits for underground injection control ("UIC") projects (note: there  
5 are two UIC projects at Hangman Hollow, one of which is UIC Project #64406013 that enables  
6 the disposal of waste water via injection into a water disposal well, and the other of which is  
7 UIC Project #44800005 that enables the periodic injection of steam into producing oil wells to  
8 improve oil recovery), supervision and/or monitoring during some drilling operations,  
9 marketing efforts to obtain new investors, and other such similar matters. The facts stated in  
10 this declaration are based on my personal knowledge from working as a consultant to Trio on  
11 Hangman Hollow since about 2012.  
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13  
14 2. In full disclosure, I state that my father, Stanford Eschner, is co-owner of Trio. Neither I  
15 nor any of my companies own any interest in Trio, and I am not an employee of Trio.

16 3. Also in full disclosure, I state that I am not an attorney and my opinions and/or my  
17 understanding of the facts as stated herein are not to be deemed as legal opinions.

18 4. In this Declaration I seek to correct the record regarding certain assertions made in the  
19 following three documents that were filed by Genautica Oil Holdings, LP ("Genautica"): 1) the  
20 NOTICE OF MOTION AND MOTION OF GENAUTICA OIL HOLDINGS, LP TO  
21 VACATE SALE ORDER, AS AMENDED" (the "Motion"); 2) the DECLARATION OF DAN  
22 SCHOLEFIELD IN SUPPORT OF THE MOTION OF GENAUTICA OIL HOLDINGS, LP  
23 TO VACATE SALE ORDER, AS AMENDED (the "Scholefield Declaration" or "Scholefield  
24 Decl."), and; 3) the EXHIBITS TO DECLARATION OF DAN SCHOLEFIELD IN SUPPORT  
25 OF MOTION OF GENAUTICA OIL HOLDINGS, LP TO VACATE SALE ORDER, AS  
26 AMENDED (the "Exhibits")  
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1       5. In this Declaration I do not seek to correct the record regarding each and every incorrect  
2 assertion made by Genautica. Rather, I seek to correct the record on those incorrect assertions  
3 that are particularly relevant to the matter at hand, and also those that wrongly impugn Trio's  
4 reputation.

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6       6. Background information. Prior to attempting to correct the record on certain assertions  
7 made by Genautica, I provide the following background information, which I believe is  
8 relevant to the matter at hand:

9       7. Background information. The cash portion of Trio's standing bid was and is \$10,000.  
10 Temblor Petroleum Company, LLC ("Debtor") has been in arrears at Hangman Hollow since  
11 2018 and currently owes approximately \$236,911.44 to Trio for Debtor's 24.443369700%  
12 working-interest share of Hangman Hollow expenditures. Thus, Trio's effective total bid is  
13 \$246,911.44, being comprised of \$10,000 cash plus the \$236,911.44 in debt that would be  
14 absorbed by Trio in the event Trio is the successful bidder.

15  
16       8. Background information. I understand that there was a telephone conversation on April  
17 6, 2021, between Mr. Steve Rowlee (Trio's Vice President) and Mr. Leonard K. Welsh  
18 (Debtor's bankruptcy attorney) about the Temblor bankruptcy in general, during which time  
19 Mr. Welsh commented that he thought since Temblor was now filing Chapter 7 (as opposed to  
20 Chapter 11) that Debtor's arrears owed to Trio (i.e., the aforementioned \$236,911.44), being  
21 that Debtor was an LLC, would transfer to any party acquiring Debtor's working interest  
22 ("WI") at Hangman Hollow. Thus, it was concluded by Trio that any acquiring party in its  
23 proposed purchase price of Debtor's WI would need to factor in the additional approximate  
24 \$236,911.44 that would need to be paid to Trio as Operator to bring the acquiring party's  
25 account current at Hangman Hollow. Also circa May, 2021, Mr. Jeffrey M. Vetter (Bankruptcy  
26 trustee, or "Trustee") advised that attempts to obtain a satisfactory bid for Debtor's WI in  
27 Hangman Hollow had been unsuccessful. With this information Trio proposed to Trustee that  
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1 Trio be assigned Debtor's WI in exchange for Trio forgiving and thus forfeiting the  
2 approximate \$236,911.44 owed to Trio by Debtor. During subsequent negotiations between  
3 Trio and Trustee it was found mutually acceptable that Debtor's WI be assigned to Trio at a  
4 cost to Trio of \$246,911.44, being comprised of a Trio \$10,000 bid plus the \$236,911.44 in  
5 debt that would be absorbed by Trio. Trustee and Trio considered this amount (i.e.,  
6 \$246,911.44) to be a very serious and acceptable bid. Trustee advised that he did not expect a  
7 bid higher than Trio's in the bankruptcy proceeding, if any competing bid at all.  
8

9 9. Background information. There appears to be uncertainty and/or a potential dispute as  
10 to whether Debtor's approximate \$236,911.44 liability to Trio will transfer to any party  
11 acquiring Debtor's WI at Hangman Hollow. As noted elsewhere above, Debtor's bankruptcy  
12 attorney commented circa April, 2021, that he thought that the burden of Debtor's arrears owed  
13 to Trio (i.e., the aforementioned \$236,911.44) would transfer to any party acquiring Debtor's  
14 WI. Trio believes that the liability should transfer to any acquiring part, consistent with the  
15 aforementioned comment made by Debtor's bankruptcy attorney. However, Genautica  
16 indicates that it "*disputes the validity of Trio's claims and rights*" in this matter (Scholefield  
17 Decl., ¶19). I understand that it is not the responsibility of the Brokers (i.e., Energy Advisors  
18 Group), Trustee and/or Debtor to resolve any such dispute and/or to eliminate any uncertainty  
19 related thereto. Nevertheless, the original sale motion with the notice of hearing with bidding  
20 instructions stipulates "*the sale of the subject property is in "as is" condition, and buyer is*  
21 *subject to any all liens, encumbrances, charges, taxes, fees and delinquencies attributed to the*  
22 *Debtor's share of joint interest liabilities*" (¶ 5.e, page 10 of 15). As discussed further  
23 immediately below, Mr. Scholefield and Genautica had plenty of time prior to and after the  
24 oral-auction bankruptcy proceeding to do their own due diligence on this matter but did not  
25 and, therefore, were unprepared during the oral-auction bankruptcy proceeding. Mr.  
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1 Scholefield's and/or Genautica's lack of preparation should not be construed as a basis to  
2 reopen the bankruptcy proceedings.

3 10. Background information. In an email dated July 5, 2022, from Mr. Scholefield to  
4 Trustee, Mr. Scholefield asks "*Is the Temblor interest being offered/sold free of liability in the*  
5 *bankruptcy proceeding?*" (page 47 of 49 in Exhibit G in the Exhibits). Subsequently, three  
6 months later, during the oral-auction bankruptcy proceeding on October 8, 2022, Mr.  
7 Scholefield stated "*Your Honor, we would like to - - we've reached a point, a price point above*  
8 *which we would be willing to bid higher; however, we were not given adequate information*  
9 *about the outstanding liabilities that we're being asked to assume and we'd like to have the*  
10 *balance of that information provided in order to place a higher bid. So we request that that*  
11 *information be provided to us and that the bidding be continued at a later time and in order for*  
12 *us to place a higher bid, but have an understanding of what the outstanding liabilities are*"  
13 (page 12-13 of Exhibit A in the Exhibits). The aforementioned email from Mr. Scholefield on  
14 July 5, 2022, and the aforementioned comments to the Court three months later on October 8,  
15 2022, clearly indicate that Mr. Scholefield and Genautica did not properly do their own due  
16 diligence and, therefore, were unprepared during the oral-auction bankruptcy proceeding. Mr.  
17 Scholefield's and/or Genautica's lack of preparation should not be construed as a basis to  
18 reopen the bankruptcy proceedings.

19 11. Background information. In an email dated September 13, 2022, from Trustee to Mr.  
20 Scholefield, Trustee advises Genautica that "*as the backup bidder, the offer of genautica oil*  
21 *holdings will be accepted. please remit the balance of your bid (\$76,000.00) to the po box*  
22 *below*" (note: sentences all in lowercase as shown, see page 32 of 39 in Exhibit D of the  
23 Exhibits). Genautica failed to perform as backup bidder and did not pay the \$76,000.00 owed.  
24 It appears that Genautica did not perform and therefore did not take assignment of Debtor's WI  
25 at least in part because Genautica incorrectly concluded that there were problems with the  
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1 permits for the UIC Water Disposal Project #64406013 and/or the UIC Cyclic-Steam Injection  
2 Project #44800005 that would prevent the timely restarting of operations at Hangman Hollow.  
3 As elaborated elsewhere in this Declaration, there are no such problems with the UIC permits  
4 that would prevent the timely restarting of operations at Hangman Hollow. Furthermore, Mr.  
5 Scholefield admits in the Scholefield Declaration that *"In 2021, I was told by Stan Eschner,*  
6 *Trio's chairman, that the Project was ready to go and could start injecting steam and*  
7 *producing oil "tomorrow"'*(Scholefield Decl., ¶3). Mr. Scholefield and/or Genautica  
8 apparently chose to disregard the information provided by Mr. Stan Eschner and instead  
9 incorrectly concluded that there were problems with the permits for the UIC projects that would  
10 prevent the timely restarting of operations. Once again, Mr. Scholefield and/or Genautica did  
11 not properly do their own due diligence, which apparently is one of the reasons that Genautica  
12 failed to perform as the backup bidder. Mr. Scholefield's and/or Genautica's failure to properly  
13 do their own due diligence should not be construed as a basis to reopen the bankruptcy  
14 proceedings.  
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16  
17 12. Background information. Genautica has been in arrears at Hangman Hollow since 2015  
18 and currently owes approximately \$233,219.40 to Trio as Operator for Genautica's 12.22%  
19 working-interest share of Hangman Hollow expenditures. I find the idea troubling that a  
20 company that is in arrears (i.e., Genautica, with arrears of ~ \$233,219.40) could acquire the WI  
21 of another company that is similarly in arrears (i.e., Debtor, with arrears of ~ \$236,911.44) and  
22 not be burdened by the arrears owed by the acquired company. Furthermore, Genautica and  
23 Debtor have been involved together in various oil and gas deals (e.g., Hangman Hollow  
24 oilfield, Lynch Canyon oilfield, Witter oilfield, Arctic Hunter Energy Inc.) and, although I have  
25 been unable to confirm whether one is a part-owner or a managing member of the other, I find  
26 it troubling that one could acquire the Hangman Hollow WI of the other and not be burdened  
27 by the arrears owed by the acquired company.  
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1        13. Background information. The information provided in the following five Paragraphs  
2 was, in my opinion, confirmed by CalGEM Engineer Mr. Jon Iverson in a Zoom meeting on  
3 February 23, 2023. Also participating in the Zoom meeting were Trio personnel Mr. Stan  
4 Eschner, Mr. Steve Rowlee and Mr. Gary Horace.

5        14. Background information (confirmed in the aforementioned Zoom meeting with  
6 CalGEM's Jon Iverson). I understand that Trio may restart producing oil wells at Hangman  
7 Hollow at any time without prior notification to CalGEM. If Trio does restart oil production,  
8 Trio would need to resume normal monthly reporting to CalGEM of produced fluid volumes  
9 (i.e., volumes of oil, gas and water). Subsequently to the restarting of any such producing oil  
10 well, there might be testing requirements for previously idled wells, such as fluid level tests  
11 and/or tests of mechanical integrity.

12        15. Background information (confirmed in the aforementioned Zoom meeting with  
13 CalGEM's Jon Iverson). I understand that the UIC Water Disposal Project #64406013, which  
14 enables water injection into the 'D' Sand and into the Santa Margarita Sand at the San Ardo  
15 WD-1 well at Hangman Hollow, is fully-approved and in good standing. The WD-1 well is  
16 classified by CalGEM as "idle". Because the WD-1 well is considered idle, Trio will need to  
17 notify CalGEM in advance of Trio's intent to reinitiate water disposal at said well. CalGEM  
18 will probably reply to the notification by advising that routine mechanical integrity testing is  
19 required at said well prior to reinitiating injection. The entire process, from the date of the  
20 aforementioned notification from Trio to CalGEM, to the date that water injection may be  
21 reinitiated, can probably be accomplished in a matter of weeks (e.g., maybe 2 or 3 weeks). I  
22 further understand that: 1) when injection recommences, and according to regulatory protocols,  
23 Trio will collect a surface water sample (note: such collection can be accomplished in a single  
24 day) at the location of the WD-1 well (i.e., injection water) and obtain a chemical analysis that  
25 will be filed with CalGEM; 2) when injection recommences and when sufficient water is  
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1 available, Trio will run a step-rate test (note: such step-rate-test can be accomplished in a single  
2 day) at the WD-1 well, and; 3) that CalGEM stipulates that the WD-1 well with its current  
3 mechanical completion may only accommodate an additional 858,000 barrels of water  
4 injection.

5  
6 16. Background information (confirmed in the aforementioned Zoom meeting with  
7 CalGEM's Jon Iverson). I understand that the UIC Cyclic-Steam Project #44800005, which  
8 enables cyclic-steam injection into the Lombardi oil sands at six existing oil wells at Hangman  
9 Hollow, is fully-approved and in good standing. The six oil wells are classified by CalGEM as  
10 "idle". Because the six wells are considered idle, Trio will need to notify CalGEM in advance  
11 of Trio's intent to reinitiate cyclic-steam injection into any of said wells. CalGEM will  
12 probably reply to the notification by advising that routine mechanical integrity testing is  
13 required at said wells prior to reinitiating injection. The entire process, from the date of the  
14 aforementioned notification from Trio to CalGEM, to the date that cyclic-steam injection may  
15 be reinitiated, can probably be accomplished in a matter of weeks (e.g., maybe 2 or 3 weeks).

16  
17 17. Background information (confirmed in the aforementioned Zoom meeting with  
18 CalGEM's Jon Iverson). I understand that it is not urgent but that it would be good if Trio in  
19 the near future could load to CalGEM's WellStar Website updated reports (i.e., the so-called  
20 Project Approval Letter and/or "PAL" reports) for Hangman Hollow's two UIC Projects  
21 #64406013 and #44800005.

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23 18. Background information (confirmed in the aforementioned Zoom meeting with  
24 CalGEM's Jon Iverson). In summary, I understand that Trio may restart oil production at any  
25 time (e.g., producing one or more wells "cold", without steam) and within a matter of weeks  
26 (e.g., maybe 2 or 3 weeks) would probably have authorization from CalGEM to resume water  
27 disposal into the WD-1 well and cyclic-steam injection into selected wells: assuming that the  
28 mechanical integrity tests are acceptable in said selected wells. I understand that the



1   aforementioned regulatory processes with CalGEM may be handled in a matter of weeks and in  
2   this regard that Hangman Hollow could be producing oil, injecting steam and disposing of  
3   produced water by injection in a matter of weeks from the date that operations are restarted.  
4   However, aside from the aforementioned regulatory processes that may be handled in a matter  
5   of weeks and from a practical operational standpoint, I understand that additional time may be  
6   required for Trio to get funding in-place, make tests and repairs to facilities and get the oilfield  
7   up and running.  
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9       19. Following are corrections to the record on certain assertions made in the Scholefield  
10   Declaration and the Motion. First, however, I wish to state that Mr. Scholefield and I have had  
11   quite a few phone conversations since about February 10, 2023, during which at great length  
12   we have had cordial, open and honest discussions about the matter at hand (i.e., sale of the  
13   Debtor's working interest), about the status of Hangman Hollow (e.g., status and details of UIC  
14   permits), and about possible paths by which Genautica and Trio may be able to move forward  
15   cooperatively in a mutually beneficial manner including, perhaps, restarting Hangman Hollow  
16   in the next month or two. I have been encouraged by the forward-looking and positive nature of  
17   our discussions. I believe it is correct to say that Mr. Scholefield now recognizes that some of  
18   the assertions in the Scholefield Declaration and/or the Genautica Motion are incorrect, albeit  
19   unbeknownst to Mr. Scholefield and/or Genautica at the time that the Genautica documents  
20   were created and filed with the Court. Trio requested that I attempt to correct some of the  
21   assertions made in the Genautica documents and I am doing so here, but I and Trio intend no  
22   disrespect to Mr. Scholefield and/or Genautica who are valued and important working-interest  
23   partners at Hangman Hollow.  
24  
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26       20. The Scholefield Declaration incorrectly refers to the Property as Hangman's Hollow  
27   (Scholefield Decl., ¶2). The correct name is Hangman Hollow.  
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1        21. The Scholefield Declaration states “*In 2021, I was told by Stan Eschner, Trio’s*  
2 *chairman, that the Project was ready to go and could start injecting steam and producing oil*  
3 *“tomorrow”*”(Scholefield Decl., ¶3). First, please note that Mr. Stan Eschner is a California  
4 registered professional geologist. Mr. Scholefield and Genautica incorrectly assert that this  
5 comment by Mr. Stan Eschner was incorrect and/or misleading. What Mr. Stan Eschner meant  
6 by this comment, as Mr. Scholefield is well aware, was that Hangman Hollow at that time (i.e.,  
7 2021) was fully and properly permitted for both water disposal and for steam injection and, in  
8 that sense, that operations could be restarted at any time (personal communication, Stan  
9 Eschner, Feb. 21, 2023). As Mr. Scholefield is well aware, Mr. Stan Eschner was not  
10 suggesting that within one-day (i.e., “tomorrow”) the field could be fully operational, with the  
11 steam generator fired-up and making steam, steam injection occurring, wells pumping oil and  
12 water, water disposal occurring, oil being sold to market, etc. Everyone involved in the Project,  
13 including Mr. Scholefield and Genautica, understands that restarting Hangman Hollow properly  
14 will require at least a week or two, possibly a month or more, due to matters such as handling  
15 routine regulatory processes, arranging funding, assigning project personnel, and routine  
16 maintenance items such as testing, inspections, repairs, etc. Mr. Stan Eschner’s comment that  
17 the “*project was ready to go and could start injecting steam and producing oil tomorrow*” was  
18 his way of explaining that operations at the field could be restarted at any time (personal  
19 communication, Stan Eschner, Feb. 21, 2023) and was a figure of speech, which according to  
20 the Merriam-Webster dictionary is “*a word or phrase used in a nonliteral sense for rhetorical*  
21 *or vivid effect*”. Mr. Scholefield inappropriately has taken Mr. Stan Eschner’s comment out of  
22 context, and impugned his reputation by construing that he lied when he said the Project was  
23 ready to go and could start injecting steam and producing oil tomorrow. Mr. Scholefield and  
24 Genautica are experienced in oil and gas operations and it is far-fetched to suppose that they  
25 were misled by Mr. Stan Eschner’s comment. To Mr. Scholefield’s benefit, I believe he was  
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1 not properly informed of the facts upon the date of the Scholefield Declaration and, had he  
2 been properly informed, he would have recognized that the aforementioned comment by Mr.  
3 Stan Eschner was reasonable, true and correct. As mentioned elsewhere above, Mr. Scholefield  
4 and/or Genautica apparently chose to disregard the information provided by Mr. Stan Eschner  
5 and instead incorrectly concluded that there were problems with the permits for the UIC  
6 projects that would prevent the timely restarting of operations.  
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8 22. The Scholefield Declaration states “*Genautica and Prudent bid at the August 10th*  
9 *auction based on the representations of the Brokers that the Project was ready to produce oil,*  
10 *representations that we later learned were not correct*” (Scholefield Decl., ¶8). Trio has little  
11 knowledge of representations made by Brokers and is not responsible for Brokers’  
12 representations. However, it seems from the Scholefield Declaration and from Genautica’s  
13 Motion that Mr. Scholefield and Genautica may have incorrectly believed that there are  
14 immediate problems with the permit to dispose of produced water and/or with the permit to  
15 cyclically inject steam, and that they incorrectly believed that these perceived permit problems  
16 would prevent the quick restart of operations at Hangman Hollow. Mr. Scholefield’s and  
17 Genautica’s understanding in this matter is incorrect. As discussed elsewhere above, I  
18 understand that at Hangman Hollow oil production may recommence at any time and the  
19 process of restarting cyclic-steam injection and water-disposal may be accomplished in a matter  
20 of weeks. Thus, it appears that Genautica and Prudent bid at the August 10th auction based on  
21 true and correct representations of the Brokers that the Project was ready to produce oil.  
22  
23 Furthermore, and as Mr. Scholefield and I recently discussed, one of the lower-cost and more  
24 economically-attractive plans under discussion is to restart Hangman Hollow by initially  
25 producing some wells “cold” (i.e. without cyclic-steam injection), in which case cyclic-steam  
26 injection probably would not occur in the opened wells for several months or longer. Some of  
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1 the existing wells initially produced “cold” oil at reasonably good rates and there is reasonable  
2 expectation that these wells will do so again.

3 23. The Scholefield Declaration states “*Prior to the sale hearing and auction, the Brokers*  
4 *marketed the Property for sale. In the weeks leading up to the auction, I had telephone calls*  
5 *with Wesley Adams (“Adams”), the representative of the Brokers handling the sale, regarding*  
6 *the status of the Project and conditions of the sale. During those conversations, it was*  
7 *represented that the Project was ready to produce oil. The Brokers’ statements seemed to*  
8 *confirm what Trio told me in 2021. I was later told by Kris Pitta (“Pitta”) of Prudent*  
9 *Resources that he had had similar conversations prior to the auction. The representation that*  
10 *the Project is ready to produce oil is crucial to the value of the Property, and Pitta and I relied*  
11 *on this representation in formulating our bids at the auction. However, this representation was*  
12 *discovered to be incorrect*” (Scholefield Decl., ¶9). As discussed more-fully above, it seems  
13 from the Scholefield Declaration and from Genautica’s Motion that Mr. Scholefield and  
14 Genautica may have incorrectly believed that there are problems with the permit to dispose of  
15 produced water and/or with the permit to cyclically inject steam, and that they incorrectly  
16 believed these perceived permit problems would prevent the quick restart of operations at  
17 Hangman Hollow. Mr. Scholefield’s and Genautica’s understanding in this matter is incorrect  
18 and, similarly, Mr. Kris Pitta of Prudent Resources may also have been misinformed. As  
19 discussed elsewhere above, I understand that at Hangman Hollow oil production may  
20 recommence at any time and the process of restarting cyclic-steam injection and water-disposal  
21 may be accomplished in a matter of weeks. Mr. Adams’ assertion that the Project was ready to  
22 produce oil was correct.

23 24. The Scholefield Declaration states “*Consistent with the Brokers’ statements that the*  
24 *property was ready to produce, the marketing materials were posted on the Brokers’ website*  
25 *under the category “Producing Properties”* (Scholefield Decl., ¶11). Genautica is a working-

1 interest owner in Hangman Hollow and certainly it and Mr. Scholefield are well aware that  
2 Hangman Hollow is a producing property that is currently shut-in and idle. It seems far-fetched  
3 to suggest that it was somehow misleading for the Brokers to list the Property as a “Producing  
4 Property” and/or that Mr. Scholefield and/or Genautica were somehow confused or misled by  
5 this listing category.  
6

7 25. The Scholefield Declaration states “*In describing the Project, the 2021 Marketing*  
8 *Materials state: The Hangman Hollow field is currently idled pending final approval of steam*  
9 *injection*” (Scholefield Decl., ¶12). As mentioned elsewhere above, Trio has little knowledge of  
10 representations made by Brokers and is not responsible for Brokers’ representations. However,  
11 a comment in 2021 that the “*field is currently idled pending final approval of steam injection*”  
12 would have been incorrect because the cyclic-steam permit was fully-approved and effective at  
13 that time as it is today. This incorrect statement would have underrepresented, not  
14 overrepresented, the value of the Property. A more correct statement at that time would have  
15 been the “field is currently idled because some of the working-interest owners are in arrears in  
16 payments to the Operator and, consequently, funding currently is inadequate to restart the  
17 field”.  
18

19 26. The Scholefield Declaration states that the Brokers’ 2021 Marketing Materials state that  
20 “*Temblor recently received aquifer exemption to enable steam flood injection*” (Scholefield  
21 Decl., ¶12). As mentioned elsewhere above, Trio has little knowledge of representations made  
22 by Brokers and is not responsible for Brokers’ representations. However, a comment in 2021  
23 that “*Temblor recently received aquifer exemption to enable steam flood injection*” would have  
24 been incorrect because the Aquifer Exemption was not received by Temblor, per se, and  
25 because the approval was for cyclic-steam injection and not for steam-flood injection. This  
26 incorrect statement would not have materially underrepresented or overrepresented the value of  
27 the Property. A more correct statement at that time would have been “the US EPA approved  
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1 Aquifer Exemption of the Lombardi oil sands at Hangman Hollow on November 21, 2018, and  
2 CalGEM approved the cyclic-steam project at Hangman Hollow on October 4, 2019”.

3 27. The Scholefield Declaration states *“After the Sale Order was entered, however, I came*  
4 *to learn that the representation that Project was ready to produce oil was incorrect. The*  
5 *Project is not producing or ready to produce oil; rather the Project is presently inoperable, the*  
6 *Project is likely one or more years away from being operable, and the Project will require*  
7 *significant further investment before becoming operable and before required approvals can be*  
8 *obtained. In fact, Genautica has recently been advised by California Geologic Energy*  
9 *Management (“CalGEM”) which is one of several regulatory bodies governing oil and gas in*  
10 *California, that comprehensive updates and reviews are required to reestablish Underground*  
11 *Injection Control (“UIC”) related permits and to proceed with several essential components of*  
12 *the Project including steam injection, oil and gas well production and storage, and proposed*  
13 *water disposal”* (Scholefield Decl., ¶13). There is considerable misinformation in this  
14 referenced Paragraph 13. As discussed elsewhere above, I understand that at Hangman Hollow  
15 oil production may recommence at any time and the process of restarting cyclic-steam injection  
16 and water-disposal may be accomplished in a matter of weeks. If funds were available to restart  
17 the field, for example if Genautica would pay its arrears owed to Trio, then the statement *“the*  
18 *Project is likely one or more years away from being operable”* would be incorrect. It is true that  
19 *“further investment”* will be required to restart the field and this fact should not be construed by  
20 Mr. Scholefield and/or Genautica as a reason to reopen the bankruptcy proceedings. It is true  
21 *“that comprehensive updates and reviews”* of most if not all approved UIC projects, including  
22 the two approved UIC projects at Hangman Hollow, are commonly and routinely requested by  
23 CalGEM, but this update/review process does not in any way impede and/or constrain Trio’s  
24 ability to recommence operations at Hangman Hollow. Again, and as discussed elsewhere  
25 above, I understand that at Hangman Hollow oil production may recommence at any time and  
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1 the process of restarting cyclic-steam injection and water-disposal may be accomplished in a  
2 matter of weeks. The fact that routine and normal reviews and updates are in-progress for the  
3 two approved UIC Projects at Hangman Hollow should not be construed by Mr. Scholefield  
4 and/or Genautica as a reason to reopen the bankruptcy proceedings.

5 28. The Scholefield Declaration states *"I also learned that the materials prepared by the*  
6 *Brokers were inaccurate and misleading. The representation that the Project was idled*  
7 *"pending final approval of the steam injection permit" is inaccurate. The Project was idled*  
8 *because of an expensive, time-consuming permit updating and approval process involving the*  
9 *critical new water disposal well "WD-2" application"* (Scholefield Decl., ¶14). As discussed  
10 elsewhere above, any statement *"that the Project was idled pending final approval of the steam*  
11 *injection permit"* that is dated after October 4, 2019, which is the date that the cyclic-steam  
12 project was approved, would be inaccurate. A more-correct statement post October 4, 2019,  
13 would be that the "field is currently idled because some of the working-interest owners are in  
14 arrears in payments to the Operator and, consequently, funding currently is inadequate to restart  
15 the field". Mr. Scholefield is incorrect in his assertion that the Project is idled due to the  
16 application for the WD-2 water disposal well. Trio no-longer plans to drill the WD-2 well and  
17 is no-longer seeking a permit for the WD-2 well. A permit for the WD-2 well is not needed at  
18 all and is not needed prior to restarting the field.

19 29. The Scholefield Declaration states *"With regard to the steam injection permit*  
20 *specifically referenced in the 2021 Marketing Materials, while it is true in that in 2019 Trio*  
21 *obtained a steam injection permit, as indicated in an email dated September 13, 2022 from*  
22 *Pitta to the Trustee, in 2021, CalGEM provided written notice to Trio that the Project would*  
23 *need to undergo Project Approval Letter ("PAL") review. Thus, the injection permit was no*  
24 *longer current. In other words, the representation in the marketing materials that the Project*  
25 *was idled pending final review of the injection permit was incorrect, the steam injection and/or*  
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1 *water disposal permit needed to be brought current*” (Scholefield Decl., ¶15). As discussed  
2 elsewhere above, updates and reviews are commonly and routinely requested by CalGEM,  
3 commonly annually, for most if not all approved UIC projects, including the two approved UIC  
4 projects at Hangman Hollow, but this update/review process does not in any way impede  
5 and/or constrain Trio’s ability to recommence operations at Hangman Hollow, including cyclic-  
6 steam injection, oil/gas production, storage and/or water disposal. As discussed elsewhere  
7 above, I understand that at Hangman Hollow oil production may recommence at any time and  
8 the process of restarting cyclic-steam injection and water-disposal may be accomplished in a  
9 matter of weeks. It is true that Trio received two notices dated April 21, 2021, from CalGEM,  
10 referring to the two approved UIC Projects at Hangman Hollow, stating among other things “In  
11 light of recent changes to applicable regulatory requirements for underground injection  
12 projects, including various elements of required supporting data, CalGEM believes it will be  
13 necessary for you to provide a complete updated package of supporting data for the above-  
14 identified project” and to schedule a meeting to “discuss in more detail expectations regarding  
15 this project data update, including a timeline for when the update will be completed”.  
16 Coincidentally, on April 19, 2021, two days prior to the CalGEM notices, Trio submitted to  
17 CalGEM a sixty-one page updated report entitled “UIC-#64406013-  
18 ProjectReportAndApplic.HH-2-RD1-WD\_041921” with two Appendixes (i.e., Appendix-  
19 A\_CasingDiagrams\_041921 and Appendix-B\_ChemicalAnalysisOfProducedWater\_041921),  
20 which largely satisfies CalGEM’s request for an updated report on this UIC project.  
21 Furthermore, as mentioned elsewhere above (see Background information - confirmed in the  
22 aforementioned Zoom meeting with CalGEM’s Jon Iverson), I understand that it is not urgent  
23 but that it would be good if Trio in the near future could load to CalGEM’s WellStar Website  
24 updated reports for Hangman Hollow’s two UIC Projects #64406013 and #44800005. In the  
25 aforementioned Zoom meeting with CalGEM’s Mr. Jon Iverson on February 23, 2023, he  
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1 indicated that further updates to the reports for these two UIC Projects are not urgent, in part,  
2 because both are considered “fairly new” by CalGEM.

3 30. The Scholefield Declaration states “*Further, while the 2019 letter from CalGEM issuing*  
4 *the permit was provided to Prudent, the 2021 letter saying the Project would need to undergo*  
5 *PAL review was not provided to them until after the auction*” (Scholefield Decl., ¶16). There  
6 was a virtual meeting among myself, Trio and Kris Pitta of Prudent on August 18, 2022, during  
7 which time we discussed the Project, permits, the proposed restart of the field, and related  
8 matters. I’m surprised to see the email dated September 13, 2022, provided by Genautica in  
9 their Exhibit D, in which Mr. Pitta indicates concern, based apparently on information from  
10 CalGEM, that a PAL review of an injection permit is required and that an injection permit is  
11 not valid. As discussed elsewhere above, PAL updates and reviews are commonly and  
12 routinely requested by CalGEM, commonly annually, for most if not all approved UIC projects,  
13 including the two approved UIC projects at Hangman Hollow, but this update/review process  
14 does not in any way impede and/or constrain Trio’s ability to recommence operations at  
15 Hangman Hollow, including cyclic-steam injection, oil/gas production, storage and/or water  
16 disposal. As discussed elsewhere above, I understand that at Hangman Hollow oil production  
17 may recommence at any time and the process of restarting cyclic-steam injection and water-  
18 disposal may be accomplished in a matter of weeks.

19 31. The Scholefield Declaration states “*The representations in the marketing materials*  
20 *regarding the Debtor having received necessary aquifer exempt UIC permits are also*  
21 *incorrect. I only recently learned the Project has been “on hold” by CalGEM since 2018*  
22 *because the existing water disposal well is insufficient for the Project as planned. In order to*  
23 *secure the approvals and permits required to proceed, an updated project approval application*  
24 *must be submitted for approval and permitting to various governmental oversight agencies,*  
25 *none of which has happened nor is it certain to happen*” (Scholefield Decl., ¶17). The three  
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1 sentences quoted above from the Scholefield Declaration are full of misleading and confusing  
2 misinformation and incorrect statements. The US EPA has deemed as Aquifer Exempt at  
3 Hangman Hollow the Santa Margarita Sand, 'D' Sand and Lombardi oil sands. To the best of  
4 my knowledge and understanding, the aquifer exempt status of these sands at Hangman Hollow  
5 is not challenged by any "governmental oversight agencies". To the best of my understanding,  
6 knowledge and recollection the UIC Water-Disposal Project at Hangman Hollow, which was  
7 approved in May, 2013, has since never been "on-hold". As discussed elsewhere above, PAL  
8 updates and reviews are commonly and routinely requested by CalGEM, commonly annually,  
9 for most if not all approved UIC projects, including the two approved UIC projects at Hangman  
10 Hollow, but this update/review process does not in any way impede and/or constrain Trio's  
11 ability to recommence operations at Hangman Hollow, including cyclic-steam injection, oil/gas  
12 production, storage and/or water disposal. As discussed elsewhere above, Trio submitted to  
13 CalGEM on April 19, 2021, a sixty-one page updated report on the Water Disposal Project at  
14 Hangman Hollow. Also as mentioned elsewhere above, Mr. Jon Iverson on February 23, 2023,  
15 indicated that further updates to the reports for the two UIC Projects at Hangman Hollow are  
16 not urgent, in part, because both are considered "fairly new" by CalGEM. I understand that at  
17 Hangman Hollow oil production may recommence at any time and the process of restarting  
18 cyclic-steam injection and water-disposal may be accomplished in a matter of weeks.

21 32. The Scholefield Declaration states "*Notably, in September 2022, after the auction, I*  
22 *visited the Brokers' website and noticed that marketing materials had been updated to delete*  
23 *references to these permits and exemptions. I downloaded a copy of those materials to my*  
24 *computer (the "2022 Marketing Materials"). The reference to the Project being idled "pending*  
25 *final approval of steam injection" was deleted; and the reference to "Temblor recently*  
26 *received aquifer exemption to enable steam flood injection" was also deleted"* (Scholefield  
27 Decl., ¶18). As mentioned elsewhere above, Trio has little knowledge of representations made  
28

1 by Brokers and is not responsible for Brokers' representations. However, and as discussed  
2 elsewhere above, a comment dated after October 4, 2019, that the field is currently idled  
3 "*pending final approval of steam injection*" would have been incorrect because the cyclic-  
4 steam permit was fully-approved and effective at that time as it is today. This incorrect  
5 statement would have underrepresented, not overrepresented, the value of the Property. A more  
6 correct statement at that time would have been the "field is currently idled because some of the  
7 working-interest owners are in arrears in payments to the Operator and, consequently, funding  
8 currently is inadequate to restart the field". Also, and as discussed elsewhere above, a comment  
9 that "*Temblor recently received aquifer exemption to enable steam flood injection*" would have  
10 been incorrect because the Aquifer Exemption was not received by Temblor, per se, because  
11 receiving aquifer exemption status does not enable steam flood injection, per se, and because  
12 the approval was for cyclic-steam injection and not for steam-flood injection. This incorrect  
13 statement would not have materially underrepresented or overrepresented the value of the  
14 Property. A more correct statement would have been "the US EPA approved Aquifer  
15 Exemption of the Lombardi oil sands at Hangman Hollow on November 21, 2018, and  
16 CalGEM approved the cyclic-steam project at Hangman Hollow on October 4, 2019". It  
17 appears, based on Mr. Scholefield's comments, that the Brokers after the auction deleted  
18 comments that were inaccurate and one of which (i.e., pending final approval of steam  
19 injection) underrepresented the value of the Property.

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23 33. The Scholefield Declaration states "*During and after the auction, it became apparent*  
24 *that the Brokers were mistaken and confused about whether and to what extent Trio would*  
25 *assert claims against the Debtor's working interest. (Genautica disputes the validity of Trio's*  
26 *claims and rights). As a result, the Trustee and Brokers provided the bidders with materially*  
27 *different terms of the sale, and the bidders bid at auction based on different terms. If for no*  
28 *other reason, the sale should be set aside due to the fact that the only two bidders competing in*

1 the auction were given different sets of bid instructions by the Brokers and Trustee; an auction  
2 was conducted in which bidders unknowingly were not bidding on the same terms, conditions,  
3 and/or assets" (Scholefield Decl., ¶18). In an email dated July 5, 2022, from Mr. Scholefield to  
4 Trustee, Mr. Scholefield asks "Is the Temblor interest being offered/sold free of liability in the  
5 bankruptcy proceeding?" (page 47 of 49 in Exhibit G in the Exhibits). Subsequently, during  
6 the oral-auction bankruptcy proceeding on October 8, 2022, Mr. Scholefield stated "Your  
7 Honor, we would like to - - we've reached a point, a price point above which we would be  
8 willing to bid higher; however, we were not given adequate information about the outstanding  
9 liabilities that we're being asked to assume and we'd like to have the balance of that  
10 information provided in order to place a higher bid. So we request that that information be  
11 provided to us and that the bidding be continued at a later time and in order for us to place a  
12 higher bid, but have an understanding of what the outstanding liabilities are" (page 12-13 of  
13 Exhibit A in the Exhibits). The aforementioned email from Mr. Scholefield on July 5, 2022,  
14 and the aforementioned comments to the Court three months later on October 8, 2022, clearly  
15 indicate that Mr. Scholefield and Genautica did not properly do their own due diligence and,  
16 therefore, were unprepared during the oral-auction bankruptcy proceeding. Mr. Scholefield's  
17 and/or Genautica's lack of preparation should not be construed as a basis to reopen the  
18 bankruptcy proceedings. I understand that it is not the responsibility of the Brokers (i.e., Energy  
19 Advisors Group), Trustee and/or Debtor to resolve any such dispute and/or to eliminate any  
20 uncertainty related thereto. Nevertheless, the original sale motion with the notice of hearing  
21 with bidding instructions stipulates "the sale of the subject property is in "as is" condition, and  
22 buyer is subject to any all liens, encumbrances, charges, taxes, fees and delinquencies  
23 attributed to the Debtor's share of joint interest liabilities." (¶ 5.e, page 10 of 15).

24 34. The Scholefield Declaration states "The Brokers represented to me numerous times  
25 before and after the auction that Trio's claims would be extinguished or otherwise cut off  
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28

1 against the buyer by the sale in the bankruptcy case. Later, I learned that Adams had made the  
2 same representations to Pitta, and as a result, at the auction Prudent was bidding for the  
3 Property believing the Property would be transferred free and clear of Trio's purported  
4 interests" (Scholefield Decl., ¶20). As discussed elsewhere above, Trio has little knowledge of  
5 representations made by Brokers and is not responsible for Brokers' representations.  
6 Nevertheless, Mr. Scholefield, Genautica and Prudent had sufficient time prior to and after the  
7 auction to do their own due diligence on this matter. I understand that it is not the responsibility  
8 of the Brokers to resolve this matter and/or to eliminate any uncertainty related thereto.  
9 Nevertheless, the original sale motion with the notice of hearing with bidding instructions  
10 stipulates "the sale of the subject property is in "as is" condition, and buyer is subject to any  
11 all liens, encumbrances, charges, taxes, fees and delinquencies attributed to the Debtor's share  
12 of joint interest liabilities." Mr. Scholefield's and/or Genautica's lack of due diligence and lack  
13 of preparation should not be construed as a basis to reopen the bankruptcy proceedings.  
14

15 35. The Scholefield Declaration states "On August 17, 2022, after the auction, I received a  
16 phone call from Adams in which he said that Pitta was upset that Prudent was being asked to  
17 pay the Debtor's prior outstanding liabilities. During the call, I stated that the bankruptcy  
18 papers said that liabilities were included in the terms of sale, but the Brokers disagreed.  
19 Accordingly, I sent Adams the Sale Motion, Declaration and Exhibit [Dkts. 416, 418, and 419]  
20 which had been sent to me by the Trustee. A true and correct copy of my August 17, 2022 email  
21 exchange with Adams (without attachments) is attached hereto as Exhibit G. In response,  
22 Adams sent me the Notice of Hearing, Dkt. 417, which had been sent to him by the Trustee, and  
23 he told me he had not seen the other documents" (Scholefield Decl., ¶21). As discussed  
24 elsewhere above, Trio has little knowledge of representations made by Brokers and is not  
25 responsible for Brokers' representations. Nevertheless, Mr. Scholefield, Genautica and Prudent  
26 had sufficient time prior to and after the auction to do their own due diligence on this matter. I  
27  
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1 understand that it is not the responsibility of the Brokers to resolve this matter and/or to  
2 eliminate any uncertainty related thereto. Nevertheless, the original sale motion with the notice  
3 of hearing with bidding instructions stipulates “*the sale of the subject property is in “as is”*  
4 *condition, and buyer is subject to any all liens, encumbrances, charges, taxes, fees and*  
5 *delinquencies attributed to the Debtor’s share of joint interest liabilities.”* Mr. Scholefield’s  
6 and/or Genautica’s lack of due diligence and lack of preparation should not be construed as a  
7 basis to reopen the bankruptcy proceedings.  
8

9 36. The Scholefield Declaration states “*Adams told me that he relied on the Notice of*  
10 *Hearing which omitted any reference to the sale being subject to any other claims or interests,*  
11 *and that, as a result, he believed that the sale would extinguish Trio’s claim against the*  
12 *Debtor’s working interest which would stay with the estate. Adams told me that he provided the*  
13 *Notice of Hearing to Prudent, namely Dkt. 417”* (Scholefield Decl., ¶22). As discussed  
14 elsewhere above, Trio has little knowledge of representations made by Brokers and is not  
15 responsible for Brokers’ representations. Nevertheless, Mr. Scholefield, Genautica and Prudent  
16 had sufficient time prior to and after the auction to do their own due diligence on this matter. I  
17 understand that it is not the responsibility of the Brokers to resolve this matter and/or to  
18 eliminate any uncertainty related thereto. Nevertheless, the original sale motion with the notice  
19 of hearing with bidding instructions stipulates “*the sale of the subject property is in “as is”*  
20 *condition, and buyer is subject to any all liens, encumbrances, charges, taxes, fees and*  
21 *delinquencies attributed to the Debtor’s share of joint interest liabilities.”* Mr. Scholefield’s  
22 and/or Genautica’s lack of due diligence and lack of preparation should not be construed as a  
23 basis to reopen the bankruptcy proceedings.  
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26 37. The Scholefield Declaration states “*At the auction, relying on the misstatements to*  
27 *Prudent both as to the condition of the property and as to Prudent’s potential for liability to*  
28 *Trio, Prudent was enticed to bid up the Property to \$101,000, 10 times Trio’s stalking horse*  
29

1 *bid*” (Scholefield Decl., ¶23). The Scholefield Declaration does not bring to light any  
2 misstatements that could be construed to exaggerate or overstate the value of the Property.  
3 However, as discussed elsewhere above, some of the incorrect statements (e.g., that the  
4 Property was idle due to permit issues) could be construed to understate the value of the  
5 Property.

6  
7 38. The Scholefield Declaration states “*After the auction, Prudent learned that not only was*  
8 *the information about the permitting and status of the Project incorrect, but also that Trio*  
9 *would claim that Prudent would potentially be charged with the Debtor’s pre-petition*  
10 *liabilities, despite the representations the bidders received to the contrary. Ultimately, Prudent*  
11 *pulled out of the sale. Based on my conversations with Pitta, I believe that had Prudent known*  
12 *of the true facts, it likely would not have participated in the auction, and Genautica’s opening*  
13 *bid at \$15,000 would have been the highest bid*” (Scholefield Decl., ¶24). These comments by  
14 Mr. Scholefield appear to be conjecture and speculation. It appears that Prudent’s bid was  
15 based on a correct understanding that the UIC permits were fully-approved and in good  
16 standing, and it was after the auction that Prudent became misinformed with the notion that  
17 there was a permit problem that would prevent the quick restart of the field. Prudent has  
18 expertise in acquiring distressed properties and I believe it reasonable to assume that it  
19 recognized that there were uncertainties regarding Debtor’s liabilities. I don’t wish to speculate  
20 as to whether \$15,000 might have been the highest bid.

21  
22  
23 39. The Scholefield Declaration states “*Genautica is still interested in acquiring the*  
24 *Property, even though the true facts revealed that the Property was worth substantially less*  
25 *than previously thought. Genautica offered to revise its bid to its opening bid amount (\$15,000)*  
26 *and immediately close the transaction Genautica remains willing to purchase the Property for*  
27 *\$15,000 or to participate in a new auction for the purchase of the Property*” (Scholefield Decl.,  
28 ¶25). As discussed elsewhere above, The Scholefield Declaration does not bring to light any



1 misstatements that could be construed to exaggerate or overstate the value of the Property.  
2 However, as discussed elsewhere above, some of the incorrect statements (e.g., that the  
3 Property was idle due to permit issues) could be construed to understate the value of the  
4 Property. Genautica as a backup bidder had an opportunity to close the sale, but Genautica did  
5 not perform. Genautica missed its opportunity to close the sale, and Trio is the rightful winning  
6 bidder. Genautica's offer to close the sale at its initial bid of \$15,000 is without merit and  
7 should be ignored.  
8

9 40. The Scholefield Declaration states "*Awarding the Property to Trio, for the lowest bid,*  
10 *rather than reopening the auction to fair and transparent competitive bidding, that will*  
11 *guaranty the estate a 50% higher price for the Debtor's property, is not in the interests of*  
12 *justice*" (Scholefield Decl., ¶27). It appears that Mr. Scholefield and Genautica regret that they  
13 did not close the sale when they had the opportunity to do so and that they now propose to  
14 change the rules in an attempt to reverse the court's decision that Trio is the rightful winning  
15 bidder. I do not see how this is in the interest of justice.  
16

17 41. The Scholefield Declaration states "*The 2021 Marketing Materials contain information,*  
18 *including graphs and charts, that is not readily accessible to any entity other than Trio, as*  
19 *Operator of the Project. The information in the marketing materials must have come from Trio*  
20 *as operator of the Project. Such information is unlikely to have come from any other source*"  
21 (Scholefield Decl., ¶28). As mentioned elsewhere above, Trio has little knowledge of  
22 representations made by Brokers and is not responsible for Brokers' representations.  
23 Furthermore, Trio has little knowledge of what comprised the Marketing Materials and is not  
24 responsible for said Marketing Materials. Trio as Operator over the years has provided a vast  
25 amount of Hangman Hollow data and interpretations to the Hangman Hollow working-interest  
26 owners, including to Genautica and Temblor ("Debtor"), and also to the California Division of  
27 Oil, Gas, and Geothermal Resources ("DOGGR"), CalGEM, WaterBoards, Petroleum Listing  
28



1 Services, Energy Advisors Group, Energy Net and many other third-parties. To the best of my  
2 knowledge and recollection, neither I nor Trio collaborated with the Brokers, Trustee and/or  
3 Debtor in selecting, and/or in reviewing for accuracy, whatever marketing materials they chose  
4 for use in the bankruptcy proceedings.

5 42. The Scholefield Declaration states *“Trio, as Operator, is the entity that failed to obtain*  
6 *the necessary permits to let the Project proceed. Trio never informed Genautica, nor was*  
7 *Genautica informed by the Brokers or Trustee, that CalGEM put the water disposal well*  
8 *application on hold together with the entire PAL, or of any of the other challenges facing the*  
9 *Project, all of which was concealed by Trio”* (Scholefield Decl., ¶29). Trio, as Operator, has  
10 successfully obtained the permits that are necessary for production at Hangman Hollow to  
11 proceed, including permits for water disposal and cyclic-steam injection. To the best of my  
12 knowledge CalGEM has never put the “water well application” on hold, nor has CalGEM put  
13 the “entire PAL” (whatever that means) on hold.

14 43. The Scholefield Declaration states *“Additionally, I was recently informed that Trio*  
15 *instructed CalGEM to put the Project on the backburner and reassign its project review*  
16 *engineer to Trio’s unrelated South Salinas prospect”* (Scholefield Decl., ¶29). To the best of  
17 my understanding, knowledge and recollection, this statement is entirely false. I do not believe  
18 that I or anyone at Trio advised CalGEM to put the Hangman Hollow project on the back  
19 burner and/or to reassign a CalGEM engineer to another of Trio’s projects. In my experience,  
20 Trio does not instruct CalGEM as to how to utilize their people, and CalGEM does not take any  
21 such instructions from Trio.

22 44. The Genautica Motion repeats many if not all of the incorrect assertions that are in the  
23 Scholefield Declaration, which incorrect assertions are already addressed in the comments  
24 above. To avoid redundancy, I here do not directly comment on and/or correct the incorrect  
25 assertions that are in the Motion if said incorrect assertions are already addressed in the

1 comments above that refer to the Scholefield Declaration. However, some of the incorrect  
2 assertions in the Genautica Motion are addressed separately below.

3 45. The Genautica Motion states "*the bidders were induced to overbid based on the*  
4 *Brokers' 1 misstatements of fact (in which Trio is, at the very minimum, complicit)*" (p. 2, lines  
5 11-12). As mentioned elsewhere above, Trio has little knowledge of representations made by  
6 Brokers and is not responsible for Brokers' representations. The suggestion that Trio is  
7 somehow complicit in any of "*Brokers' misstatements of fact*" is inflammatory and absurd.  
8 Furthermore, and as discussed elsewhere above, neither the Genautica Motion nor the  
9 Scholefield Declaration bring to light any misstatements that could be construed to exaggerate  
10 or overstate the value of the Property. However, as discussed elsewhere above, some of the  
11 incorrect statements (e.g., that the Property was idle due to permit issues) could be construed to  
12 understate the value of the Property.  
13

14 46. The Genautica Motion states "*In effect, Trio's silence regarding the representations in*  
15 *the marketing materials, caused the parties to bid up the auction price which Trio thought*  
16 *would result in payment of its claims*" (p. 14, lines 1-2). To the best of my understanding,  
17 knowledge and recollection, neither I nor Trio have to this day been provided copies of the  
18 marketing materials by anyone (e.g., not by the Brokers, Trustee, Debtor, Genautica and/or  
19 Prudent) and, furthermore, neither I nor Trio have been asked by anyone (e.g., not by the  
20 Brokers, Trustee, Debtor, Genautica and/or Prudent) to verify the assertions made in the  
21 marketing materials. I understand that the marketing materials may be comprised, in part, of  
22 materials that were prepared over the years by me and/or Trio, but neither I nor Trio has even  
23 seen the marketing materials data-package, per se. In other words, we have not seen the data  
24 package prepared by Brokers that comprises the marketing materials. The claim that Trio's  
25 silence about a marketing materials data-package, which Trio has never seen, caused the parties  
26 to bid up the auction price is absurd. The suggestion that Trio was silent about a marketing  
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1 materials data-package, which Trio has never seen, because Trio thought this would result in  
2 payment of the money owed to Trio is absurd. As mentioned elsewhere above, Trio endeavored  
3 to acquire the Debtor's working interest in Hangman Hollow at a cost to Trio, in Trio's  
4 opinion, of \$246,911.44 (i.e., Trio's \$10,000 cash bid plus the \$236,911.44 in Debtor's debt  
5 that would be absorbed by Trio).

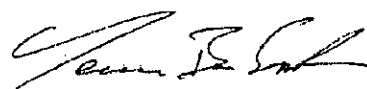
6  
7 47. The Genautica Motion states "*The Sale Order, as amended, rewards Trio for submitting*  
8 *the lowest bid, not participating at the auction, not disclosing the true facts about the Project's*  
9 *permitting, or lack thereof*" (p.15, lines 3-4). As mentioned elsewhere above, Trio has little  
10 knowledge of representations made by Brokers and is not responsible for Brokers'  
11 representations. The suggestion that Trio has somehow been involved in "*not disclosing the*  
12 *true facts about the Project's permitting, or lack thereof*" is outrageous, inflammatory and  
13 absurd. As stated elsewhere above, to the best of my understanding, knowledge and  
14 recollection, neither I nor Trio have to this day been provided copies of the marketing-materials  
15 data package by anyone (e.g., not by the Brokers, Trustee, Debtor, Genautica and/or Prudent)  
16 nor asked by anyone to review and/or inspect the marketing-materials data package.  
17 Furthermore, I believe that all of the assertions in the Genautica Motion and in the Scholefield  
18 Declaration regarding current problems with the permits for the water disposal project and/or  
19 for the cyclic-steam project are incorrect. As discussed elsewhere above, I understand that at  
20 Hangman Hollow oil production may recommence at any time and the process of restarting  
21 cyclic-steam injection and water-disposal may be accomplished in a matter of weeks.

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24 48. In summary, it is my opinion that all of the material claims in the Genautica Motion and  
25 in the Scholefield Declaration are false and that the Court's decision to award Debtor's WI to  
26 Trio should stand. Trio's bid, in Trio's opinion, represents a total of \$246,911.44 (i.e., Trio's  
27 \$10,000 cash bid plus the \$236,911.44 in Debtor's debt that would be absorbed by Trio). Trio  
28 considers this a very serious bid.

1       49. As of the date signed, I believe the facts in this declaration are accurate. Trio and I are  
2 continuing our efforts to present an accurate record to the court, and I will supplement this  
3 declaration before the hearing, if required to augment or clarify the record.  
4

5       I declare under penalty of perjury under the laws of the United States that the foregoing  
6 is true and correct, and if called as a witness I could and would testify competently thereto.

7       Signed on March 22, 2023, at Denver, Colorado.  
8

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10       

Original

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12       Terence B. Eschner

13       President, Sarlan Resources, Inc.  
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